

GRAND TRAVERSE DISTILLERY

House Regulatory Reform Committee Members

November 9, 2016



True North Vodka™

Chairman Franz and members of the committee, thank you for the opportunity to be here today.

My name is Kent Rabish. I am the president of Grand Traverse Distillery and Vice President of the Michigan Craft Distillers Association, a statewide trade organization advancing and promoting our state's growing small batch spirit industry.

Grand Traverse Distillery began in 2006 and is Michigan's first grain distillery. We distill whiskey, vodka, gin and rum. 100% of our rye, wheat and corn is grown on the Send Brothers Farms in Grand Traverse County. We use 1,200 pounds of grain per day, 6 days per week. We are closing in on 4 million pounds of Michigan grown grain used to distill our spirits.

The craft distilling industry is where craft beer was 20 years ago. GTD was the 30th craft distillery to receive a TTB license in 2006 and now there are close to 1,500 distilleries across the country, about 30 are in Michigan. The craft movement is growing in Michigan because of the diversity of agriculture grown here and distillers can take advantage of this. Agritourism also brings many to our state, we see them in our distillery daily.

I would like to thank Senator Proos for sponsoring the bill. For a company like GTD this bill would make a substantial difference.

For example, our True North Vodka sells for \$29.99 through the Michigan Liquor Control Commission. For every bottle that sells, GTD receives \$15.97 from the MLCC. From this we pay the Federal TTB \$2.14 per bottle in taxes on the alcohol. With a retail price of \$29.99 our starting point is \$13.83 per bottle. THE TOTAL STATE MARKUP ON THIS IS 65%. We then pay a commission to our distributor. If we can reduce the large mark up to 20 percent through the MLCC the higher return on our work will go into expansion for our distillery. At our company, for example, we are looking to invest in a 2nd still, new cooling systems and a 3rd building to store our growing supply of whiskey barrels (ages for 4 years). The reduction in the state markup paid on the spirits will go back into the industry and the economy as we grow our business and add employees. Indeed, examples like this would be common for Michigan distilleries everywhere and would have a significant impact throughout our state as our industry expands.

And logistically it should be very straight forward to administer the revised markup because of the various forms and reports distillers already submit to state and federal governments. We report all our distilling to the TTB (Tax and Trade Bureau) in proof gallons. It is simple to verify how many gallons a distiller sells because we would just send copies of our federal reports to the MLCC and show our processing reports (line 33 column B). We do this report once a month so 12 reports would be added up and sent to the MLCC to verify the more competitive markup.

END YOUR DEPENDENCE ON FOREIGN ALCOHOL

Providing markup relief to distillers helps grow our industry, just as we have already seen for Michigan craft brewers and our state's wineries. We are truly an opportunity industry with more and more distillers opening across our state every year. And as we embrace common sense legislation like this to help remove barriers of entry for start-up businesses, the state realizes a great many economic benefits ranging from agriculture to tourism to revitalization of entire city blocks.

On behalf of the Michigan Association of Craft Distillers, we hope you can help make Michigan more competitive with our neighboring states, and encourage you to support this legislation.

Thank you for your time and consideration.

Kent Rabish
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"End Your Dependence on Foreign Alcohol"



DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)
MONTHLY REPORT OF PROCESSING OPERATIONS

1. PLANT NUMBER

2. MONTH AND YEAR

3. NAME OF PROPRIETOR

5. Employer Identification Number (EIN)

1. Every proprietor engaged in processing operations must prepare this form each month in duplicate.
 2. The proprietor must forward the original to the Director, National Revenue Center, on or before the 15th day of the month following the month for which prepared.
 3. The copy is to be kept on file by the proprietor.
 4. LOCATION OF PLANT

PART I - BULK INGREDIENTS**PART II - FINISHED PRODUCTS**

TRANSACTION (a)	WINE (Proof gallons) (b)	SPIRITS (Proof gallons) (c)	TRANSACTION (a)	BOTTLED (Proof gallons) (b)	PACKAGED (Proof gallons) (c)
1. ON HAND FIRST OF MONTH			27. ON HAND FIRST OF MONTH		
2. RECEIVED (Other than line 3)			28. BOTTLED OR PACKAGED		
3. ALCOHOL FOR FUEL USE RECEIVED FROM CUSTOMS CUSTODY			29. RECEIVED		
4. ALCOHOL FLAVOR MATERIALS DUMPED			30. INVENTORY OVERAGES		
5. WINE MIXED WITH SPIRITS			31. TOTAL - LINES 27 THROUGH 30		
6. DUMPED FOR FURTHER PROCESSING			32. TRANSFERRED IN BOND ¹		
7. GAINS			33. WITHDRAWN TAX DETERMINED		
8. TOTAL - LINES 1 THROUGH 7			34. WITHDRAWN FREE OF TAX: FOR U.S. HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE		
9. BOTTLED OR PACKAGED			35. WITHDRAWN WITHOUT PAYMENT OF TAX: FOR ADDITION TO WINE		
10. WINE MIXED WITH SPIRITS			36. FOR EXPORTATION, VESSELS, AND AIRCRAFT, AND TRANSFER TO C.B.W.		
11. USED FOR DENATURATION			37. TRANSFERRED TO PRODUCTION ACCOUNT FOR REDISTILLATION		
12. TRANSFERRED IN BOND			38. WITHDRAWN FOR RESEARCH, DEVELOPMENT, OR TESTING (Including Gov. samples)		
13. WITHDRAWN TAX DETERMINED			39. DESTROYED		
14. WITHDRAWN FREE OF TAX: FOR U.S. HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE			40. DUMPED FOR FURTHER PROCESSING		
15. WITHDRAWN WITHOUT PAYMENT OF TAX: FOR ADDITION TO WINE			41.		
16. FOR EXPORTATION & TRANSFER TO C.B.W.			42.		
17. TRANSFERRED TO PRODUCTION ACCOUNT FOR REDISTILLATION			43.		
18. WITHDRAWN FOR RESEARCH, DEVELOPMENT, OR TESTING (Including Gov. samples)			44. RECORDED LOSSES		
19. DESTROYED			45. INVENTORY SHORTAGES		
20. USED FOR REDISTILLATION			46. ON HAND END OF MONTH		
21.			47. TOTAL - LINES 32 THROUGH 46		
22.					
23.					
24. LOSSES					
25. ON HAND END OF MONTH					
26. TOTAL - LINES 9 THROUGH 25					

¹Bottled nonindustrial (beverage) use spirits may not be received or transferred in bond.

